SASKATCHEWAN GRAIN CAR CORPORATION

86-02523/

Saskatchewan Grain Car Corporation

December 20, 1985
Regina, Saskatchewan

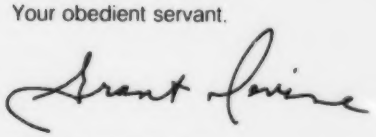
To His Honour
the Honourable Frederick Johnson
Lieutenant-Governor of the Province of Saskatchewan

Sir:

I have the honour to submit herewith the annual report of the Saskatchewan Grain Car Corporation for the year ending July 31, 1985, including the financial statements therefore, duly certified by the Provincial Auditor and in the form approved by the Treasury Board, all in accordance with The Saskatchewan Grain Car Corporation Act, 1981.

I have the honour to be Sir,

Your obedient servant,



Grant Devine, Premier,
Minister of Agriculture
and Minister in Charge
of the Saskatchewan Grain
Car Corporation

DIRECTORS

Honourable Grant Devine, Regina

Stuart Kramer, Regina

Gordon Keats, Melville

MANAGEMENT

Stuart Kramer, Regina
Acting General Manager

Donald Shawaga, Melville
Fleet Superintendent

Sandra Konechny, Melville
Secretary

Saskatchewan Grain Car Corporation

Annual Report 1985

The Saskatchewan Grain Car Corporation's hopper car fleet continued to be used in the Canadian Wheat Board's Western Division during the 1984-85 crop year. Saskatchewan Grain Car Corporation had 475 hopper cars on CN lines and 523 on CP lines devoted to grain service. The percentage of cars on the CN and CP was based on the total bushels handled by each carrier in the 5 year period October, 1974 to September, 1979. Every two years this formula may be re-applied to the most recent 5 years to determine a possible re-allocation of cars. No request for re-allocation was received during the 1984-85 crop year.

The Corporation's office is located in Melville, Saskatchewan. The office is operated by two staff members.

During the 1984-85 year the Corporation received notice from the Canadian Wheat Board that the Federal audit had been completed on the hopper car purchase pool. The final price for the Corporation's 1,000 cars was confirmed at $54,214,423 and the Corporation subsequently transferred the $4,983,711 surplus in the Capital Account to the Heritage Fund as a lump sum loan payment.

During 1984-85 the Corporation's computerized car monitoring system continued to follow the day-to-day movements of the fleet highlighting inactive cars, misloads, or activities contrary to the Corporation's contractual arrangements with the railroads and the Canadian Wheat Board. A bi-monthly summary of statistical reports is obtained to help ensure the fleet is used to capacity.

The following charts compare operations of Saskatchewan Grain Car Corporation's fleet in the 1984-85 and the 1983-84 crop years.

Grains Transported	**1984-85** (Tonnes)	**1983-84** (Tonnes)
Wheat	810,010	925,020
Oats	6,040	13,400
Barley	154,810	261,350
Rye	17,810	35,440
Flax	21,370	21,580
Rapeseed	81,580	75,960
	1,091,620	1,332,750

The Corporation's hopper cars moved 1.09 million tonnes of grain in 1984-85 compared to 1.33 million tonnes in 1983-84. This represents an 18% drop for SGCC movements from 1983-84 which was a record year for Canadian grain export volumes.

This decrease in movement was due to lower stocks of prairie grain for export as well as expansion in the number of Federal Government hopper cars in service.

Canadian grain exports during the 1984-85 crop year were 22.8 million tonnes compared to 30.3 million tonnes in 1983-84.

Saskatchewan Grain Car Corporation

Origin of Movements	1984-85 (%)	1983-84 (%)
Saskatchewan	51.8	49.5
Alberta	32.3	40.2
Manitoba	15.3	9.8
B.C.	.6	.5
	100.0	100.0

Destinations	1984-85 (Trips)	1983-84 (Trips)
Thunder Bay	6,565	8,419
Vancouver	6,513	7,788
Prince Rupert	705	823
Inland Mills and Feed Plants	347	361
	14,130	17,391

No cars moved to the Port of Churchill due to the inability of this line to handle hopper cars.

Round Trip Car Cycles
(Average elapsed time for cars to load, unload and reload)

To Port:	1984-85 (Days)	1983-84 (Days)
Thunder Bay	21.7	20.1
Vancouver	29.4	24.4
Prince Rupert	33.0	28.4
Average — All Ports	26.0	22.5

The Corporation's average round trip car cycle increased to 26.0 days in 1984-85 from 22.5 days in the previous year. Contributing factors were the lower stocks of grain available and the increased size of the hopper car fleet.

Saskatchewan Grain Car Corporation

Delay in Car Movements	1984-85 (Number of cars- % of Fleet)	1983-84 (Number of cars- % of Fleet)
CN	40- 8.4	25- 5.2
CP	108-20.6	69-13.2
Both	148-14.8	94- 9.4

This chart on delayed cars is based on a definition of a delayed car as one which has not had a change in status for more than 10 days. These delays were calculated bi-weekly and were averaged to give an annual figure. The percentage figure was based on the number of cars on each line, that is, 523 on CP and 475 on CN.

Damaged Cars

Railway	1984-85	1983-84	Total Since Built
CN	12	13	40
CP	2	6	28
Both	14	19	68

Damage to cars was caused by derailments, side-swipes, loading and unloading accidents, etc. Two cars were declared damaged beyond economical repair during 1984-85. The depreciated value of $99,397.45 for these two cars was forwarded to the Corporation by the railway and placed in a special Reserve Fund set aside to purchase replacement cars when it is economically advisable to do so. The balance of the cars were repaired and are in service, except for 7 on CN which will be repaired and placed in service in the mid part of the 1985-86 crop year.

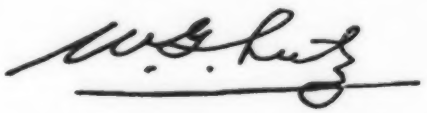
Saskatchewan Grain Car Corporation

Auditor's Report 1985

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the statement of financial position of the Saskatchewan Grain Car Corporation as at July 31, 1985, and the statement of revenue and expenditure and surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at July 31, 1985, and the results of its operations for the year then ended in accordance with the disclosed basis of accounting applied on a basis consistent with that of the preceding year.



Regina, Saskatchewan
September 4, 1985.

W. G. Lutz, F.C.A.
Provincial Auditor.

Saskatchewan Grain Car Corporation

Statement 1 — Statement of Financial Position

July 31, 1985

	OPERATING FUND		CAPITAL FUND		RESERVE FUND	
	1985	1984	1985	1984	1985	1984
ASSETS						
Current Assets						
Cash	$ 256	$ 117	$ —	$ 2,888	$ 2	$ —
Short-term investments, at cost	33,500	37,100	—	4,754,407	104,884	—
Accounts receivable						
— accrued interest on short-term investment	65	197	—	1,632	335	—
— miscellaneous	188	—	—	—	—	—
Prepaid expenses	1,184	1,184	—	—	—	—
	35,193	38,598	—	4,758,927	105,221	—
Fixed assets (Note 1[b] & 4)	—	—	54,214,423	54,214,423	—	—
Less accumulated depreciation (Note 4)	—	—	3,666,660	3,666,660	—	
	—	—	50,547,763	50,547,763	—	—
	$35,193	$38,598	$50,547,763	$55,306,690	$105,221	$ —
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable	$ 471	$ 1,254	$ —	$ —	$ —	$ —
Long-term loan from the Heritage Fund (Note 3)	—	—	46,349,629	51,333,340	—	—
Surplus — Statement 2	34,722	37,344	4,198,134	3,973,350	105,221	—
	$35,193	$38,598	$50,547,763	$55,306,690	$105,221	$ —

(See accompanying notes to the financial statements)

Saskatchewan Grain Car Corporation

Statement 2 — Statement of Revenue and Expenditure and Surplus

For the Year Ended July 31, 1985

	Capital Fund (Note 1)	Operating Fund (Note 1)	Reserve Fund (Note 1)	Total 1985	Total 1984
Revenue					
Grant — Consolidated Fund — Department of Agriculture	$ —	$93,200	$ —	$ 93,200	$ 76,400
Compensation for damaged cars	—	—	99,397	99,397	—
Interest on short-term investments	224,802	3,626	5,824	234,252	452,503
	224,802	96,826	105,221	426,849	528,903
Expenditures					
Salaries	—	70,542	—	70,542	69,617
Board of Director expenses	—	481	—	481	993
Administration expenses	18	28,425	—	28,443	29,148
	18	99,448	—	99,466	99,758
Excess of revenue over expenditure (expenditure over revenue)	224,784	(2,622)	105,221	327,383	429,145
Surplus, beginning of year	3,973,350	37,344	—	4,010,694	3,581,549
Surplus, end of year	$4,198,134	$34,722	$105,221	$4,338,077	$4,010,694

(See accompanying notes to the financial statements)

Notes to Financial Statements

July 31, 1985

1. **Significant Accounting Policies**

   These financial statements have been prepared in accordance with accounting policies that are considered appropriate for organizations of this type. The significant accounting policies are as follows:

   a) The accounts of the Corporation are maintained in three segments:

      i) Capital Fund

         1. The fixed assets (grain cars) of the Corporation are maintained in a Capital Fund, along with the related liability to the Heritage Fund.

         2. Since there is no significant revenue derived from the use of the grain cars, no charge for depreciation is recorded in the accounts.

      ii) Reserve Fund

         All cash receipts from the railways by way of compensation for irreparable damage to grain cars will be retained in the Fund and will be used solely for the purchase of replacement cars. All interest earned from these cash balances will be retained in this Fund. To date, two cars have been irreparably damaged and have not yet been replaced.

      iii) Operating Fund

         The operating costs and revenue for the Corporation are recorded in the Operating Fund.

   b) Purchase of grain cars

      The purchase of the grain cars is grouped as a 'pool'. Purchase costs of cars, together with transportation and inspection expenses are capitalized. The cost of the pool will not be adjusted for irreparably damaged cars nor for replacements purchased from the Reserve Fund.

   c) Purchase of other fixed assets

      Purchases of office equipment will be expensed in the year of acquisition to the Operating Fund.

   d) Operating revenue

      According to the terms of the Operating Agreement between Saskatchewan Grain Car Corporation, Canadian National Railway Company, Canadian Pacific Limited and the Canadian Wheat Board, the railways have the right to manage and operate the cars. Revenue earned by the cars in the movement of wheat, oats, barley, rye, flaxseed and rapeseed in the Western Division shall accrue to the railways for their own account.

2. **Status of the Corporation**

   The Saskatchewan Grain Car Corporation was established by Order-in-Council 1787/79 on October 2, 1979, and continues under the provisions of The Saskatchewan Grain Car Corporation Act.

3. **Long-Term Debt**

Up to and including March 31, 1983, net operating expenses and debt charges on the long-term loan have been covered annually by an equal grant from the Department of Agriculture from funds appropriated by the Legislature. Effective March 31, 1983, debt charges and principal repayment terms were significantly changed.

By Order-in-Council 1164/83 dated August 3, 1983, the terms and conditions relating to the loan from the Heritage Fund were amended as follows:

a) The principal amount outstanding of the loan shall be repaid by the 31st day of March, 2011. The Corporation shall have the right to repay from time to time any part of the principal amount outstanding prior to March 31, 2011.

b) The loan shall not bear any interest from and after March 31, 1983.

On December 19, 1984 the Saskatchewan Grain Car Corporation repaid the sum of $4,983,711 to the Heritage Fund.

4. **Fixed Assets**

The total pooled cost of the Saskatchewan Grain Car Corporation's 1000 grain cars has been finalized as follows:

Purchase of grain cars	$53,044,752
Inspection costs	403,380
Consultancy fees	65,091
Transportation costs	701,200
	54,214,423
Accumulated depreciation	3,666,660
	$50,547,763

The policy of recording depreciation was discontinued in 1984. This change in accounting policy was necessitated by the change in the terms of the repayment of the long-term debt described in note 3, which eliminated the payment of the grant to the Corporation by the Department of Agriculture. Previously depreciation was offset against this grant.

5. **Related Party Transactions**

a) Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the Corporation is related.

Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms.

Other amounts due to (from) related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

b) The Corporation's Melville office is located in a government building and accordingly, no rent is paid for the use of this space. Neither the value of these benefits received nor the costs of this space are reflected in these financial statements.

Saskatchewan Grain Car Corporation

Schedule 1 — Schedule of Investments

As at July 31, 1985

	Description	Rate	Maturity Date		Amount
Operating Fund					
	Melville Credit Union Term Deposit	7.25%	August 17, 1985	$	17,600
	Melville Credit Union Term Deposit	7.25%	August 29, 1985		15,900
				$	33,500
Reserve Fund					
	Melville Credit Union Term Deposit	8.40%	August 20, 1985	$	104,884